

**TESTIMONY OF TOM BALDWIN
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**U.S. SENATE COMMERCE COMMITTEE
AVIATION COMPETITION AND SERVICE
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I appreciate the opportunity to offer the perspective of Iowa's smaller communities on the sometimes-turbulent subject of air service.

In terms of an overview, I would offer the following thoughts:

Overall, airline deregulation has been a success. While smaller communities like Dubuque have benefited from deregulation, it is the larger markets with the big hubs that have certainly reaped the most benefits.

DOT proposals and policies, specifically the competition guidelines and special slot exemptions for new-entrants airlines, are certainly not helpful, and perhaps even harmful, to smaller communities.

If government really wants to be useful, it should address capacity issues; build more runways, fix the ATC system, etc.; because smaller communities most often absorb the largest delays when weather or operational problems strike the large congested hubs.

Let me provide a little more brief detail on each one of these points.

Dubuque is Doing Very Well

- Dubuque is served by three regional airlines of the major network carriers (American, Northwest, and United) with fourteen departures per day to three hubs (Chicago, Detroit, and Minneapolis).
- Passenger counts were up by 16.40% in 1998 over 1997
- In June 1998, leisure airfares were reduced by an average of \$120, and advance purchase business airfares were reduced by an average of \$650
- Dubuque is Iowa's fastest growing airport, growing by nearly forty percent (40%) in the last nine months, and we are doing so without the benefit of a "low-fare" airline in our community.

We appreciate the relative ease with which you can get almost anywhere from Dubuque. It's possible to have breakfast in Dubuque and lunch in Los Angeles. Before deregulation, sure, you got there, but it took all day and you left when the airline left.

The fact is that the current hub and spoke system resulting from deregulation has served us well and for that matter has served most other smaller communities well. It is far better than the sporadic schedules and long connection times from the pre-deregulation days.

Of course, like any other community, we'd love to have more service and more low-fare point-to-point service, but the reality is that we have a small market and our passengers need one-stop connections to hundreds of destinations. Southwest Airlines or any other low-fare point-to-point carrier service would be welcomed in Dubuque, but a low-fare point-to-point airline's high-frequency and limited connection service doesn't meet the needs of smaller communities where a relatively small passenger base has many different final destinations.

And low-fare point-to-point airline service in the region is also a double-edged sword for smaller communities. The fact is low-fare point-to-point service can work in Iowa and the region, but it cannot work in every Iowa community. Southwest in Omaha pulls traffic from Des Moines and Sioux City. And we see a significant number of folks from Dubuque drive the two hours to Moline for AirTran service, and some folks from Dubuque make the three hour drive to Chicago's Midway Airport to take advantage of the hundreds of low-fare flights on Southwest, Vanguard, and Frontier Airlines.

Don't get me wrong. I'd love to have more low-fare competition everywhere, perhaps even some day in Dubuque. But the bottom line for smaller communities is that basic and reliable service to key hubs with on-line connections is what our communities really need.

Last year, we were seeing a significant diversion of traffic away from Dubuque to other airports in the region where the major network airlines were offering discounted advance purchase business airfares which were not offered in Dubuque. In June 1998, Dubuque airport and community leaders met with airline representatives of American, United, and Northwest to discuss the problem. Within a week, we were pleasantly surprised when our average advance purchase business airfares were reduced by over \$650. These lower fares have resulted in a dramatic increase in enplanements, up almost forty percent (40%) in the last nine months.

This story was certainly good news for the folks in Dubuque, but it also underscored for me an important point: that local communities can and should take the initiative in dealing with their own air service issues.

Certainly, we can't do it alone, though. We do need smart policies out of Washington that give us a level playing field. In this context, let me offer my comments on two policies currently being considered by DOT and your Committee.

- First, the proposed competition guidelines. At best, the guidelines do nothing for small communities; at worst, they will actually hurt small communities. DOT wants to re-regulate pricing behavior to address alleged predatory practices by the majors against some of the new start-ups. However, these guidelines and the bureaucracy they would create could prevent the kind of quick response we saw to our advance purchase business airfare pricing problems in Dubuque. Furthermore, by DOT's own admission, the guidelines respond to potential problems in just 15 city pairs, out of a possible 19,000. It seems you are trying to use stiff regulatory requirements when already-proven Justice Department anti-trust practices would do the job.

- Second is the whole issue of slots, particularly those at Chicago O'Hare. Demand for O'Hare slots just keeps growing from new-entrant airlines, from international carriers, and from the two big incumbent network airlines, American and United, now expanding their regional jet service. In this mad scramble for slots,

unfortunately, it is the smaller communities who stand the biggest chance of being trampled.

Mr. Chairman, your bill would for the first time provide special exemptions for new slots at ORD, LGA, and DCA to airlines that will provide new regional jet service to airports with fewer than 2 million yearly enplanements. This is a very positive development in protecting the interest of smaller communities eager to improve their access and service to the larger aviation system.

But it is not necessarily enough to secure the interests of smaller communities over the long run, particularly those dependent on turboprop aircraft. Every slot DOT gives to a new-entrant airline or reallocates to an international carrier is one less potential slot available to smaller communities. In addition, as the demand for slots continues to grow faster than the supply of slots, large airlines will inevitably be forced to use the slots for bigger airplanes on higher demand routes. These slots will come from current service to smaller communities.

For the smaller communities in the Midwest, the best thing DOT could do is to make the most efficient use of the airport system in Chicago. Use the precious slots at O'Hare to secure and improve small community access to the national global aviation network so critical to their fortunes. And encourage new entrants to use Midway, already the most successful low-fare, point-to-point airport in the nation.

Perhaps, the single biggest thing that DOT and Congress could do to be helpful to smaller communities is to address the biggest problems of all: runway capacity and air traffic control reform. In bad weather when operations at O'Hare or Detroit or Minneapolis are cut, it is usually the flights originating closest to the hubs, like Dubuque, that suffer the worst delays as ATC holds smaller turboprop airplanes while giving priority to larger long-haul arriving jets. It is gridlock and it is generally smaller airports that get locked down the worst by the FAA in flow control situations.

Mr. Chairman, your bill addresses many of these capacity and ATC issues. I am hopeful that it can help spur some real improvements in the system. The entire airport community is also hopeful that there are no further delays in enacting a multi-year FAA reauthorization bill. In the case of Dubuque, timely passage of the FAA reauthorization bill will ensure that our runway extension project stays on schedule and on budget.

In closing, let me just add one final thought. For smaller communities, air service and economic development are inextricably linked. One will not happen without the other. Outside of Dubuque, just 20 miles from the original "Field of Dreams," the City of Dubuque is building the largest publicly financed industrial park Infrastructure development in the history of the State of Iowa to attract new business. Yes, to paraphrase the movie, we will build it and they will come. And they will come by truck and by rail, but most importantly for any business and any city in the new century and beyond, they will come by air.

Thank you Mr. Chairman. I would be happy to answer any questions.

Tom Baldwin has served on the Dubuque Regional Airport Commission since 1995 and is serving in his second term as Chairman. Prior to becoming an Airport Commissioner, Tom served six years on the Dubuque Area Chamber of Commerce Aviation Committee. Tom is Director of

Advertising and Public Relations, as well as U.S. Government Sales Coordinator, at Flexsteel Industries, Inc. He is also active in promoting Dubuque's industrial growth and the importance of good air service and the value airports are to industry. Tom is a founding member and currently on the Board of Directors of the Dubuque Arboretum and Botanical Gardens.